

Message Text

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PAGE 01 BUDAPE 02495 031520 Z

67

ACTION EUR-25

INFO OCT-01 ADP-00 AGR-20 EB-11 COME-00 TRSE-00 OMB-01

CIAE-00 DODE-00 PM-07 H-02 INR-10 L-03 NSAE-00 NSC-10

PA-03 RSC-01 PRS-01 SS-15 USIA-12 IO-13 NIC-01 RSR-01

/137 W

----- 116873

R 031453 Z JUL 73

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 9798

INFO AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMCONSUL MUNICH

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

C O N F I D E N T I A L BUDAPEST 2495

E. O. 11652: GDS

TAGS: EAGR ECON EGEN ETRD HU

FOR STATE, COMMERCE AND AGRICULTURE

SUBJECT: DEVELOPMENT OF ECONOMIC REFORM

REF: BUDAPEST 2406

1. EMBASSY HAS LEARNED FROM RELIABLE AUTHORITY THAT ONE
(NOT NECESSARILY THE ONLY) AREA WHERE GOH WISHES TO DEVELOP
REFORM FURTHER-- AS INDICATED BY FINANCE MINISTER FALUVEGI
(REF)-- CONCERNS FOREIGN TRADE. GOH WISHES TO
DEVELOP BETTER SMOOTHER WAYS OF PROMOTING ECONOMIC
COOPERATION AND OF STIMULATING ENTERPRISES TO PRODUCE
ITEMS WHICH CAN BE SOLD FOR HARD CURRENCY. AS A RESULT
THERE WILL PROBABLY BE A LOOSENING OF REGULATIONS
GOVERNING FOREIGN TRADE TO GIVE ENTERPRISES GREATER
FREEDOM OF ACTIVITY. ALSO REGULATIONS GOVERNING
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COOPERATION WILL BE IMPROVED, SO THAT IT WILL BE EASIER FOR HUNGARIAN FIRMS TO DEVELOP COOPERATIVE RELATIONSHIPS WITH WESTERN FIRMS. WE WOULD INFER THAT THIS WOULD INCLUDE A LIBERALIZATION OF THE NOW TIGHT AND INTRICATE JOINT VENTURE REGULATION WHICH HAS HITHERTO NOT BEEN VERY SUCCESSFUL.

2. WITH RESPECT TO INTERAG REPRESENTATION FACILITY DISCUSSED PARA 7 REFTEL, WE HAVE LEARNED THAT THIS WILL PROVIDE OFFICE SPACE FOR INTERAG CLIENTS. WESTERN FIRMS WHICH HAVE CONTRACT WITH INTERAG WILL BE ALLOWED TO HAVE OFFICES IN THE BUILDING. WE HEAR THAT RENTAL FEES FOR THESE WILL BE EXORBITANT. AS WE REPORTED, BUILDING WILL BE COMPLETED ABOUT 1975 OR 1976.

3. WE HAVE ALSO LEARNED THAT RECENTLY MITSUBISHI HAS OPENED AN OFFICE HERE, BASED ON CONTRACTUAL RELATIONSHIP WITH A HUNGARIAN AGENCY COMPANY. ONE MITSUBISHI REPRESENTATIVE FROM VIENNA USES OFFICE AND COVERS HUNGARIAN TERRITORY, SPENDING MOST OF HIS WORKING TIME IN HUNGARY. HOWEVER HE IS NOT DOMICILED HERE AND HE TRAVELS BACK AND FORTH BETWEEN VIENNA AND BUDAPEST. AS WE HAVE REPORTED EARLIER, AT THIS POINT PERMANENT REPRESENTATION IS NOT LEGALLY POSSIBLE IN HUNGARY .
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NNNNMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

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